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FARMERS' NEWSLETTER

Oilseeds

NOV 30 1979



February 79/O-6

The road looks good for upcoming soybean markets. Check out these indications:

- Domestic demand strong

Expanding livestock and poultry numbers mean continued good trade in soybean meal. Also, domestic use of soybean oil is heading for a new record this year, due in part to smaller supplies of cottonseed oil, palm oil and butter.

- Total use at record pace

Despite the record 1978 soybean crop, use so far this season has also run the heaviest ever. Soybean stocks on January 1 totaled 1,377 million bushels compared with 1,325 million last year.

- World use up

The decline of the U.S. dollar has been a major factor in boosting demand for soybean meal in Europe and Japan. World consumption of both protein meal and edible vegetable oils is expected to expand during 1979.

- Still stronger markets possible

The Soviet sunflower seed crop is down sharply from the 6 million

metric tons estimated earlier. They have been heavily buying vegetable oils and tallow, an indication that they may be short of them. They have also bought soybeans. Some of these purchases have been from the U.S. Any new trade developments between the U.S. and China would also be bullish.

Looking Ahead—Excess?

The 1978 corn crop at 7.1 billion bushels was a new record. Another bumper crop this year would add to the huge supply and tend to hold prices down.

U.S. SOYBEAN SUPPLY & DEMAND

	Year beginning September 1		
	1976/77	1977/78 ¹	1978/79 ²
Million bushels			
Beginning stocks	245	103	161
Production	1,288	1,762	1,843
Total supply	1,533	1,865	2,004
Crushings	790	927	1,000
Exports	564	700	760
Seed, etc.	76	77	84
Total use	1,430	1,704	1,844
Ending stocks	103	161	160
Dollars per bushel			
Farm price	6.81	5.88	6.40
Loan rate	2.50	3.50	4.50

¹ Preliminary. ² Estimated.

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Large crops could obstruct prices for soybeans, too. Based on price ratios between soybeans and corn and reported planting intentions in early January, farmers may well expand soybean acreage in 1979.

If they do, and if the growing season is favorable, soybean supplies next season could exceed this season's supply of 2 billion bushels. A record supply, along with expected increases in foreign soybean production, could moderate price prospects for soybeans by next summer.

And if the soybean crops in Brazil and Argentina are larger, some price weakness could develop by late spring and during the summer.

However, factors tending to prevent any steep decline in prices include the strong domestic demand for soybean meal and oil, heavy foreign demand, and the relatively low carryover stocks now in prospect for next September.

Farmers who also raise corn or cotton must consider demand and price prospects for those crops. Farmers have planned to increase corn and cotton acreage, and that could mean larger production, too, if weather is favorable.

U.S. SOYBEAN STOCKS, JANUARY 1

	1979		1978		Change	
	Mil. bu.	Pct.	Mil. bu.	Pct.	Mil. bu.	Pct.
On farms . .	690	50	673	51	17	3
Off farms . .	687	50	652	49	35	5
Total, all positions .	1.377	100	1.325	100	52	4

With soybean use expected to continue strong at least into the spring and possibly even into summer, carryover stocks by next September will be worked down to about 160 million bushels, virtually unchanged from last September.

PLANTED ACREAGES

	1977	1978 ¹	1979 ²
	Million acres		
Soybeans	58.8	64.0	66.3
Flaxseed	1.4	.9	.7
Sunflowerseed ³	2.3	2.8	4.1
Cotton	13.7	13.4	14.0
Corn	83.6	79.7	80.6
Wheat	75.1	66.1	70.2

¹ Preliminary. ² January 1 planting intentions expanded to U.S. total. ³ Four States.

Planting Options

World demand for U.S. soybeans over the next 18 months or so should continue to expand. But uncertainties in demand and in foreign supplies of oilseed crops make it difficult to gauge the rate of expansion. For these reasons, you should consider your planting options extremely carefully.

You also need to weigh your decisions on whether to be in or out of programs for feed grains and cotton.

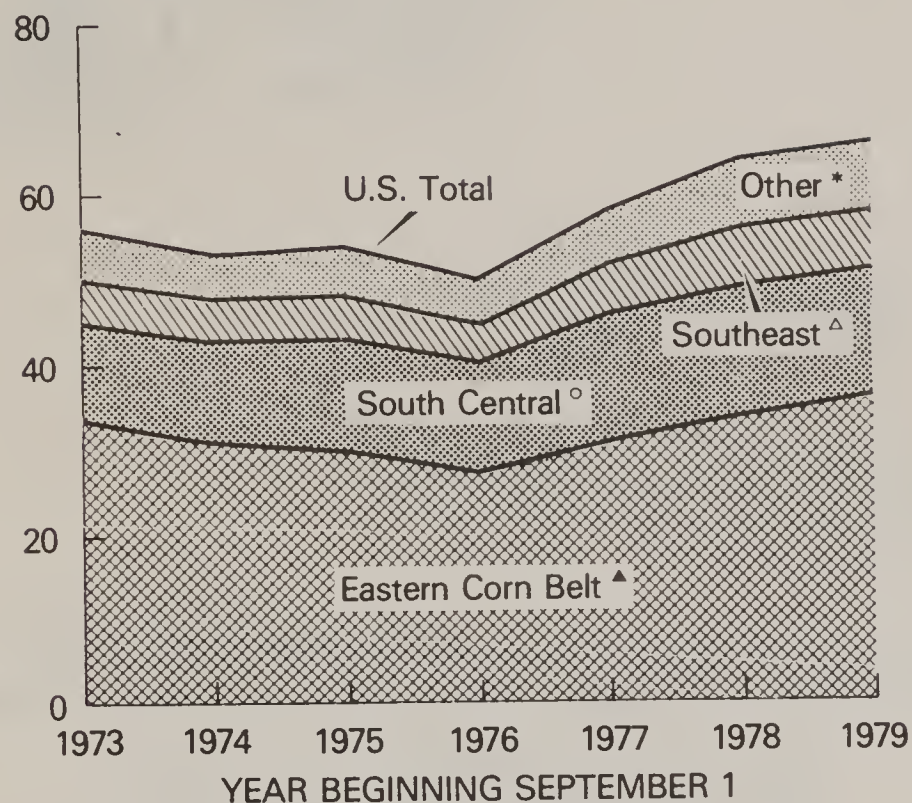
Provisions of the 1978 programs apply again for this year. There are no set-aside provisions for soybeans. Neither is there a set-aside requirement for upland cotton, although the Secretary of Agriculture has reminded growers that if they voluntarily cut plantings 15 percent below 1978 level, they will receive target price protection on all the acreage.

Another point to remember: If you do plant wheat or feed grains this year, you must comply with the set-aside rules to get price support loans on any crops, including soybeans.

The price support for 1979 crop soybeans is \$4.50 per bushel, unchanged from last year.

SOYBEAN ACREAGE PLANTED

MIL. ACRES



* WESTERN CORN BELT STATES AND ALL OTHER.

^Δ NORTH CAROLINA, SOUTH CAROLINA, GEORGIA AND ALABAMA.

[○] ARKANSAS, LOUISIANA, MISSISSIPPI, KENTUCKY AND TENNESSEE.

[▲] ILLINOIS, INDIANA, IOWA, MISSOURI, MINNESOTA AND OHIO.

1978 BASED ON JUNE 30 ACREAGE REPORT.

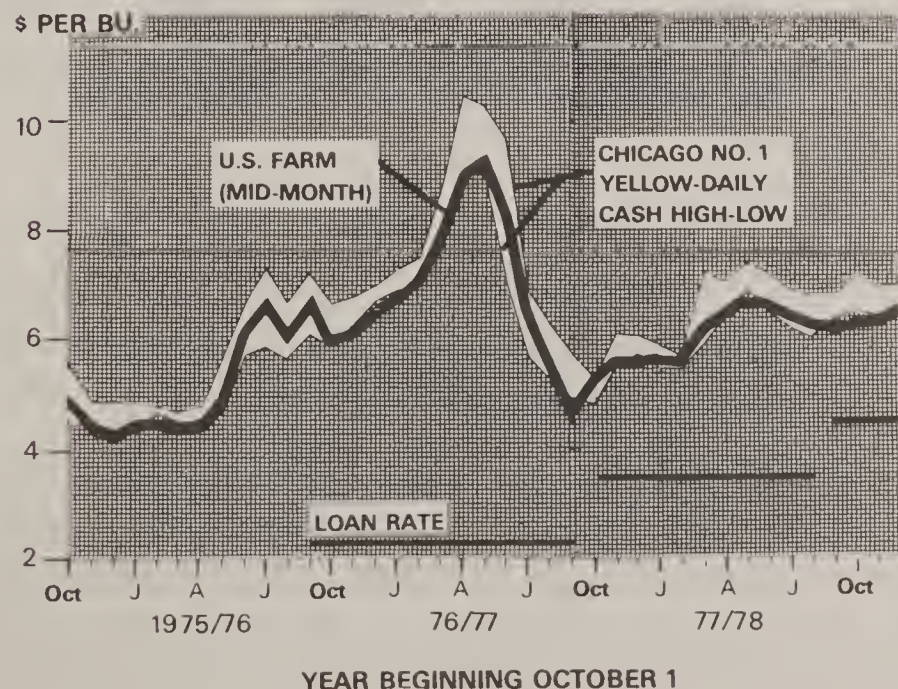
SOYBEAN-CORN PRICE RATIO

	Cash Price (Chi- cago)	1979 futures prices (Chicago Board of Trade)			
		March	May	July	New Crop ¹
Soybeans \$/bushel	6.93	7.06	7.19	7.27	6.82
Corn \$/bushel	2.35	2.34	2.43	2.49	2.55
Price ratio	2.9	3.0	3.0	2.9	2.7

¹ November soybeans and December corn. All prices as of January 31, 1979.

SOYBEAN PRICES

\$ PER BU.



Exports Vital

Roughly half of American farmers' soybeans are sold abroad. So the worldwide supply-demand situation for oilseeds and competing products is a major factor affecting your planting and marketing decisions this year.

World production of high-protein meal may rise 6 percent, while a 4 percent gain is likely for fats and oils output. But the good news for soybean farmers is this:

World demand for protein meals and vegetable oils was very strong in 1978, boosting consumption 11 percent, and another rise in line with production is in prospect this year.

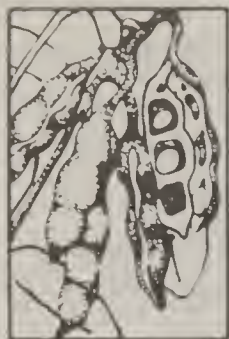
Watch Developments—Competition

Soybeans crushed during December totaled 96 million bushels, a new record. The crush rate should continue heavy this winter and early spring. But it may show sharper than normal declines during the summer, because our supplies available for crushing will be shrinking at a time when South American beans will be hitting the market. Still, the U.S. crush for the entire season may reach a billion bushels, 8 percent above last season.

Brazil is the major soybean competitor. Despite some early planting difficulties, planting progress was good. Growing conditions until early January were favorable. Lack of moisture became a problem late in the month.

The crop had been estimated at 475-515 million bushels, up sharply from the drought-reduced 1978 crop of 364 million bushels. However, it now seems the crop will not reach that level.

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The crop in Argentina also suffered from drought. Production of about 100 million bushels now appears likely, still up sharply from 1978.

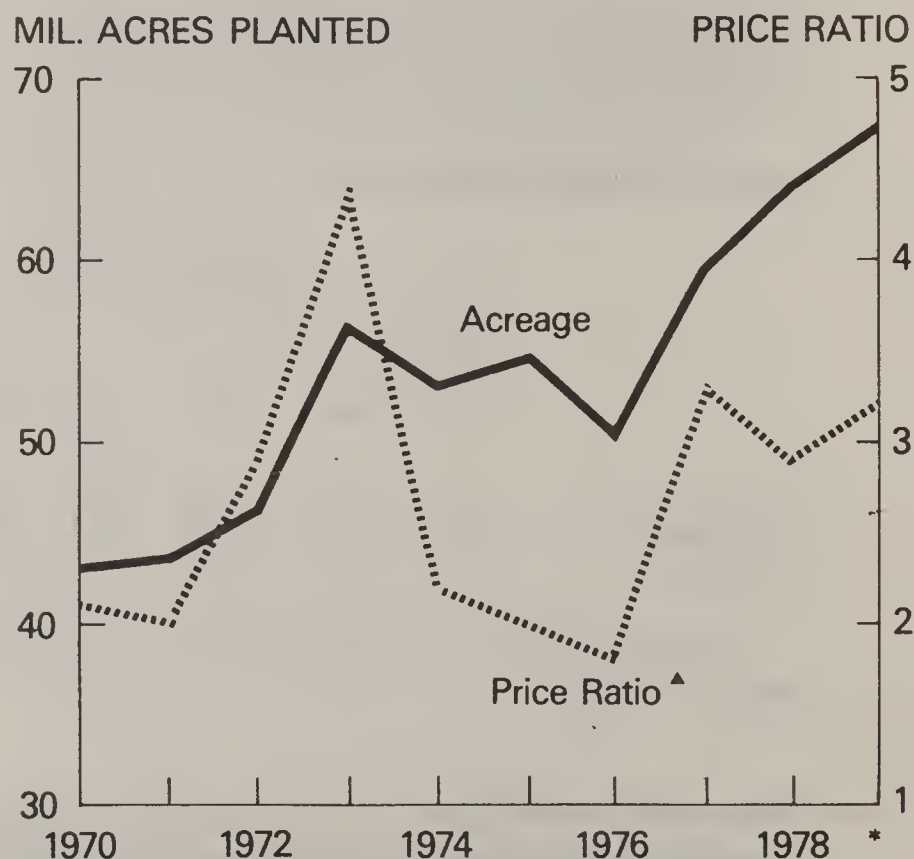
Production of palm oil in Malaysia this year may be about a fifth above the drought-reduced level of last year. However, increased production in Asia does not necessarily mean increased U.S. imports. Competitively priced soybean oil is expected to hold Malaysia's shipments to about 400 million pounds. Philippine coconut oil production has slipped this year because of dry weather in 1978.

Right Decisions

Farmers' soybean prices are up despite 7 percent more soybeans this season, thanks to continuing strong processor and exporter demand plus prudent marketing of the crop by farmers. Farmers' prices rose from \$6.19 per bushel in September to \$6.68 in January, averaging about \$6.40 per bushel, up from \$5.50 for the comparable period last year.

Prices rose during the heavy harvest period as a result of light carry-over stocks; farmers' holding of soybeans, anticipating higher prices; and the strong demand.

U.S. SOYBEAN ACREAGE PLANTED AND SOYBEAN-CORN PRICE RATIO



▲ SOYBEAN/CORN PRICE RATIO BASED ON AVERAGE PRICES RECEIVED BY FARMERS IN MARCH. * PRICE RATIO BASED ON DECEMBER 1978 PRICES.

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